

Fast Facts about California Small Business

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
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Small businesses play an essential role in California's regional economies and industry clusters, generating an annual payroll of \$6.6 billion in 2008.¹ Definitions of small business often vary by program and industry. Sometimes a small business is defined by number of employees and in other cases defined by gross receipts and/or other financial data.

California Economy

- California's gross domestic product (GDP) was \$1.9 trillion in 2009, as compared to the United States with an estimated GDP of \$14.3 trillion.²
- California's GDP ranked it as the 8th largest economy in the world in 2009.³
- California's real GDP increased by 1.3% in 2008. By comparison, real GDP growth in the United States is 0.7%.⁴ It is estimated, however, that California's real GDP will have decreased by 1.7% in 2009.⁵
- California had a labor force of 18.08 million people⁶ with an unemployment rate of 11.9% in April 2011.⁷
- California has nine economic regions: Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, Central Coast, San Joaquin Valley, Central Sierra, Southern California, and Southern Border.⁸
- California ranks 4th among 50 states in the Milken Institute's State Science and Technology Index. The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business starts.⁸
- California ranks 1st among 50 states for patents issued in 2010 when 30,080 total patents were granted.⁹
- California ranks 1st in start-ups and 1st in new branches in high-tech manufacturing in 2008.¹⁰
- California ranks 4th highest among 50 states as having the heaviest business tax burden. The 2008 State Business Tax Climate Index, prepared by the Tax Foundation, is based on a composite score of the state taxes related to income, sales, unemployment, and property. California ranked heaviest in the nation for its individual income tax system and 8th heaviest in its sales tax system.¹¹

Small Business Facts in the United States

- In 2008, there are 5.9 million small businesses (employees 1-99) in the United States, constituting 98.3% of all private firms with employees.¹²
- California, New York and Florida had the highest percentage of small businesses (employees 1-99), consisting of 97.4% of all private firms in 2008.¹³
- Small businesses (employees 1-99) in the United States employed 44.4 million employees, 35.7% of all private-sector employees in 2008.¹⁴
- The construction sector had the highest number of small businesses (employees 1-99) composed of 98.9% of all private firms in 2008.¹⁵

Small Business Facts in California

- Among all private sector employers in California in 2008, 717,000 (98.2%) are small employers (employees 1-99).¹⁶
- Small employers (employees 1-99) employ 39% of the state's all private-sector paid employees and paid 32.1% of the state's all private sector payrolls in 2008.¹⁷
- Change by years (from year 1991 to 2008):
 - The number of small businesses (employees 1-99) increased from 625,080 to 717,133.¹⁸
 - The number of paid employees from small businesses (employees 1-99) increased from 4.5 million to 6.7 million.¹⁹

- Below is a table of business growth by employee size from 2002 to 2008.²⁰

Business Growth by Employee Size						
No. of Employees	1-4	5-9	10-19	20-99	100-499	500+
Growth of Jobs	10.15%	6.01%	2.5%	0.87 %	2.7%	9.89%
Growth of Firms	29.25%	5.82%	2.48%	1.01%	3.09%	5.45%

Source: California Economic Profile: A Statewide Overview & Regional Analysis

- Small business by industry sectors (employing 1-99) :
 - The Professional, Scientific & Technical Services sector had the highest percentage of small businesses in 2008, consisting of 16.3.²¹
 - The Real Estate & Rental & Leasing sector, had the second highest percentage of small businesses, consisting of 98.0% of all the firms in 2008.²²
 - The Accommodation & Food Services sector has the largest number of workers employed by a small business, consisting of 1.4 million employees in 2008.²³

Micro Business in California

- There were 4.2 million Californians employed by microbusiness in 2007.²⁴
- There are 3 million microenterprises in California operating as sole proprietorships.²⁵
- In 2009, members of the California Association for Microenterprise Opportunity assisted 21,000 business, generating \$1.5 billion in economic opportunity. CAMEOs' research indicates that microenterprises have a much greater impact on the local community than that of a national chain store, having a multiplier effect of twice that of a national chain.²⁶

Businesses Owned and Operated by a Single Person

- There were 21.3 million businesses owned and operated by a single person in the United States in 2008, with total receipts of \$ 970.8 million.²⁷
- For California, there were 2.8 million businesses without employees, with total receipts of \$137.5 million in 2008.²⁸
- The Professional, Scientific, and Technical Services sector had the largest number of businesses without employees in both the United States (3.0 million) and in California (475,000) in 2008.²⁹

Other Features About Small Businesses in California

- 1.6 million small businesses (employees 1-499) were male-owned in 2002, twice those of women-owned, and a 20.4% increase from 1997³⁰.
- 430,000 small businesses (employees 1-499) were Hispanic-owned, 370,000 were Asian-owned, 110,000 were African American-owned, 38,000 were native American/Alaskan-owned and 7,000 were Hawaiian and Pacific Islander-owned in 2002³¹.
- Below is a table of net job change by size of employees from 2002 to 2006 in the non-farm sectors.³²

Net Job Change by Firm Size 2004-2007 (Nonfarm)								
	Total Net New Jobs	1-4	5-9	10-19	20-99	100-499	<500	500+
2006-2007	-60,110	125,188	19,767	-1,602	-46,761	-74,104	-82,598	22,488
2005-2006	451,231	140,266	48,578	54,001	88,089	39,742	370,676	80,555
2004-2005	127,469	128,749	25,006	6,843	-32,781	-16,130	111,687	15,782

Source: U.S. Dept. of Commerce, Bureau of Census

- ¹ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM>; accessed 6-1-2011
- ² <http://www.bea.gov/bea/regional/gsp> Accessed 6-1-2011
- ³ <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP.pdf> Accessed 2-25-09
- ⁴ <http://www.sba.gov/advo/research/profiles/> accessed 6-1-2011
- ⁵ <http://forecast.pacific.edu/cametroforecast/Executive-Summary-Dec08.pdf> accessed 6-1-2011
- ⁶ http://www.edd.ca.gov/About_EDD/pdf/urate200902.pdf Accessed 3-3-2009
- ⁷ <http://www.bls.gov/news.release/laus.nr0.htm> Accessed 3-3-2009
- ⁸ <http://www.milkeninstitute.org/tech/tech.taf> Accessed 2-24-09
- ⁹ http://www.uspto.gov/web/offices/ac/ido/oeip/taf/cst_all.pdf Accessed 2-14-09
- ¹⁰ http://www.gcx-online.com/gcx/article.asp?magarticle_id=601 Accessed 2-14-09
- ¹¹ http://www.taxfoundation.org/files/bp59_es.pdf ; accessed 6-1-2011
- ¹² <http://www.census.gov/epcd/susb/2008/us/US--.HTM>; accessed 6-1-2011
- ¹³ <http://www.census.gov/epcd/susb/2008/us/US--.HTM> accessed 6-1-2011
- ¹⁴ <http://www.census.gov/epcd/susb/2008/us/US--.HTM> accessed 6-1-2011
- ¹⁵ <http://www.census.gov/epcd/susb/2008/us/US--.HTM> accessed 6-1-2011
- ¹⁶ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ¹⁷ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ¹⁸ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ¹⁹ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ²⁰ http://www.labor.ca.gov/panel/pdf/2008_California_Economic_Profile.pdf accessed 6-1-2011
- ²¹ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ²² <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ²³ <http://www.census.gov/epcd/susb/2008/ca/CA--.HTM> accessed 6-1-2011
- ²⁴ <http://www.microbiz.org/wp-content/uploads/2011/04/2011> ; accessed 6-1-2011
- ²⁵ <http://www.microbiz.org/wp-content/uploads/2011/04/2011> ; accessed 6-1-2011
- ²⁶ http://www.microbiz.org/wp-content/uploads/2011/04/2011_CAMEO_WebBrochure1.pdf; accessed 6-1-2011
- ²⁷ <http://www.census.gov/epcd/nonemployer/2008/us/US000.HTM> Accessed 2-24-2009
- ²⁸ <http://www.census.gov/epcd/nonemployer/2008/ca/CA000.HTM> Accessed 2-24-2009
- ²⁹ <http://www.census.gov/epcd/nonemployer/2008/us/US000.HTM> Accessed 2-24-2009
- ³⁰ <http://www.sba.gov/advo/research/profiles/> accessed 6-1-2011
- ³¹ <http://www.sba.gov/advo/research/profiles/> accessed 6-1-2011
- ³² <http://www.sba.gov/advo/research/profiles/> accessed 6-1-2011